PROVINCE OF BRITISH COLUMBIA

Seventeenth Annual Report

of the Business Done in Pursuance of the

Pension (College) Act

YEAR ENDED AUGUST 31

1985

PRINTED BY
AUTHORITY OF THE LEGISLATIVE ASSEMBLY

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Queen's Printer for British Columbia ©
Victoria, 1986

British Columbia Cataloguing in Publication Data

Main entry under title:
Annual report of the business done in pursuance of the Pension (college) act. — 12th (1980)–

Report submitted by the Superannuation Commissioner, 1980–
Continues: British Columbia. Superannuation Commission. Annual report of the business done in pursuance of the College pension act. ISSN 0228-3255
Report year ends Aug. 31.
ISSN 0228-7382 = Annual report of the business done in pursuance of the Pension (college) act

1. College teachers — Salaries, pensions, etc. — British Columbia — Periodicals. I. British Columbia. Superannuation Commission.

LB2335.C3A55 331.25'29

To: The Honourable ROBERT G. ROGERS,
Lieutenant-Governor of the Province of British Columbia

MAY IT PLEASE YOUR HONOUR:

The undersigned respectfully submits the Report of the business done in pursuance of the *Pension (College) Act* during the fiscal year ended August 31, 1985.

GRACE M. McCARTHY
Provincial Secretary and
Minister of Government Services

Office of the Provincial Secretary and
Minister of Government Services
Victoria, British Columbia
March 17, 1986

The Honourable Grace M. McCarthy,
Provincial Secretary and
Minister of Government Services,
Victoria, British Columbia

MADAM,

I have the honour to lay before you the Report of the business done in pursuance of the *Pension (College) Act* during the fiscal year ended August 31, 1985.

Respectfully submitted,

JOHN W. COOK
Superannuation Commissioner

March 17, 1986.

PENSION (COLLEGE) ACT

ANNUAL REPORT

Report of the business done in pursuance of the *Pension (College) Act* for the fiscal year ended August 31, 1985

Section 3 — All monies received and paid out under the provisions of this Act are shown in the statement of changes in fund balance and all assets and liabilities are shown in the statement of financial position. These financial statements are attached to this report.

Section 4 — Inflation adjustment supplements totalling $284,627 ($226,478 in 1983/84) were charged to the Contributory Pensions Account. The annual increases are tied to the consumer price index and are payable to the extent that the capitalized value is available in the Inflation Adjustment Account. For this purpose, employee and employer contributions each at the rate of 1.00% of salary and interest earnings attributable to funds held for the payment of superannuation allowances in excess of the rate assumed by the actuary are allocated to the Inflation Adjustment Account.

Section 5 — During the year 29 eligible employees were, upon application, declared to be exempt from becoming contributors.

As at August 31, 1985 there were 2,541 active contributors (1,718 male, 823 female). In addition, there are 475 contributors with deferred vested pension rights and 63 inactive contributors.

Section 6 — Employee contributions amounted to $6,261,644 made up as follows:

	$
Basic Contributions	5,204,587
Inflation Adjustment Contributions	1,007,667
Voluntary Contributions	7,423
Arrears	41,967

Section 8 — Employer contributions amounted to $6,257,966.

Section 12 (1) — During the year 59 allowances were granted. There were 316 allowances in force as at August 31, 1985. Comparative statistics of allowances granted and in force are shown on Schedule 3 attached to this report.

Section 12 (3) — There were no transfers to or from any approved employers.

Section 13 — Transfers totalling $2,920 were received from two reciprocal employers upon grant of allowance as follows:

	$
Municipal Superannuation Fund (*re* two employees)	340
Teachers' Pensions Fund (*re* one employee)	2,580

There were no transfers to any reciprocal employers.

Section 18 — Refunds amounting to $1,436,662 were granted to 189 employees upon resignation, death or dismissal.

Section 23 — An actuarial valuation of the Fund was carried out as at August 31, 1981. The valuation indicates that the unfunded liability of the Plan was about $45,422,000 as at August 31, 1981. The actuary has recommended that the statutory contribution rates under the Plan be increased to ensure stable contribution rates in the future. Statutory amendments to improve the financing of the supplementary allowances were enacted in 1980, as previously described.

Section 24 — Administration expenses paid from the Fund amounted to $68,481. Investment management fees paid to the Minister of Finance amounted to $94,156.

The Provincial Treasury provides investment management services to the Fund, including safekeeping and registration of securities.

Section 27 — The par value of long-term investments held by the trustee as at August 31, 1985 amounted to $37,868,000 ($37,919,000 — 1984), as set out in the attached Schedule 1. Short-term investments held at that date amounted to $96,687,027 ($76,197,800 in 1984.)

An Investment Advisory Committee, consisting of the Superannuation Commissioner and the Director, Finance, Superannuation Commission, together with representatives from the Ministry of Finance meets on a quarterly basis during the year and sets guidelines and policy under which investments may be purchased and sold.

The investment strategy followed for most of 1984 recommended a portfolio of 60% long-term and 40% short-term. This was to be accomplished by investing 100% of new cash in the money market. Late in 1984, the Committee recommended a change in the portfolio mix to reflect a 70/30 long/short position by the end of 1985. This change was to occur gradually over the succeeding four quarters. In order to achieve this mix, 100% of the new cash flow was to be invested in the five to ten year sector of the bond market over the period November, 1984 to May, 1985.

JOHN W. COOK, F.C.I.A.
Superannuation Commissioner

AUDITOR'S REPORT

To the Superannuation Commissioner, Trustee and
To the Provincial Secretary and Minister of Government Services,
Province of British Columbia

I have examined the statement of financial position of the College Pension Fund as at 31 August 1985 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 August 1985 and the changes in the fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

ERMA MORRISON, F.C.A.
Auditor General

Victoria, British Columbia
13 December 1985

COLLEGE PENSION FUND

STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 1985

	1985	1984
ASSETS	$	$
Cash	2,821,724	1,247,544
Contributions receivable	1,123,435	1,161,448
Accrued interest on investments	4,075,478	3,718,193
Investments		
Short-term	96,687,027	76,197,800
Long-term (Note 3)	37,402,667	37,420,728
Deferred losses less gains on sale of investments (Note 4)	557,017	597,877
	142,667,348	120,343,590
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued liabilities	104,500	74,462
Fund Balance (Note 5)		
Basic Account	130,112,787	110,799,299
Inflation Adjustment Account	12,450,061	9,469,829
	142,562,848	120,269,128
	142,667,348	120,343,590

The six accompanying notes are an integral part of these financial statements.

Approved by:

JOHN W. COOK, F.C.I.A.
Superannuation Commissioner, Trustee

VICTOR BARWIN, C.A.
Director, Finance, Superannuation Commission

COLLEGE PENSION FUND

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED AUGUST 31, 1985

	1985	1984
Fund Balance Increased by		
Contributions		
Employees	$	$
Basic	5,204,587	5,377,231
Inflation adjustment	1,007,667	1,025,780
Voluntary	7,423	2,640
Arrears	41,967	50,552
	6,261,644	6,456,203
Employers		
Basic	5,204,587	5,377,231
Inflation adjustment	1,007,667	1,025,780
Arrears	45,712	50,552
	6,257,966	6,453,563
Transfers from other funds	2,920	28,364
Income from investments	13,477,995	10,846,059
	26,000,525	23,784,189
Fund Balance Decreased by		
Superannuation allowance payments		
Contributory	1,686,831	1,343,982
Inflation adjustment supplements (Note 5)	284,627	226,478
	1,971,458	1,570,460
Refunds	1,436,662	923,789
Transfers to other funds	113,565	—
Pensioners' medical premiums — matching portion	22,483	18,122
Administration and actuarial expenses	68,481	81,362
Investment management fees	94,156	74,577
	3,706,805	2,668,310
Net Increase in Fund Balance	22,293,720	21,115,879
Fund Balance at Beginning of Year	120,269,128	99,153,249
Fund Balance at End of Year	142,562,848	120,269,128

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 1985

1. Description of the College Pension Plan

(a) General

The plan is a defined benefit pension plan, whereby benefits are not directly linked to contributions. The plan is open to full-time faculty members of a college or college council in British Columbia, other faculty members whose application has been approved by the employer, and full-time senior administrative employees who are required by the employer to become a contributor. Full-time faculty members may apply within one month of date of appointment to be exempted from contributing to the plan.

(b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service, at age 60 with a minimum of 10 years contributory service and at age 65 with less than 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service, and at age 60 with less than 10 years contributory service.

The plan provides a pension of 2% per year of service up to a maximum of 70% prior to age 65 of the average salary earned in the five highest earning years before retirement. At age 65, date of death or disability, there is a reduction in the formula as a result of the integration with the Canada Pension Plan (the CPP offset). Reference should be made to the plan text for a more detailed description of the benefits.

(c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit are entitled to a deferred pension benefit.

(d) Other Benefits

Disability and Survivor benefits are available under the plan.

2. Significant Accounting Policies

(a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at August 31, 1985 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 6 below.

(b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year and include bonds issued or guaranteed by Canada or a Province. They are carried at cost of acquisition adjusted as follows:

(i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.

(ii) Discounts on serial bonds are recognized as income when redemptions occur.

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1985—*Continued*

3. Long-term Investments

Long-term investments held at the end of the year are as follows:

	1985	1984
	$	$
Book Value	37,402,667	37,420,728
Par Value	37,868,000	37,919,000
Market Value	34,846,269	29,866,709

The difference between the book value and the market value of the investments is not considered to be a permanent reduction of the Fund balance available for payment of plan benefits and therefore has not been provided for as at August 31, 1985.

4. Deferred Losses Less Gains On Sale of Investments

	1985	1984
	$	$
Balance at beginning of year	597,877	387,052
Losses less gains on sale of investments	—	216,310
	597,877	603,362
Amortization for the year	40,860	5,485
Balance at end of year	557,017	597,877

5. Fund Balance

The Fund balance is made up of a Basic Account and an Inflation Adjustment Account. The Inflation Adjustment Account was created in 1980 to finance the payment of inflation adjustment supplements. These supplements are adjusted each January 1st and are related to the annual increase in the Consumer Price Index as at each previous September 30th, but may be limited by the availability of funds in the Inflation Adjustment Account to provide the capitalized value of the increases.

The Inflation Adjustment Account includes contributions by employees and employers each at the rate of 1% of salary, the interest income therefrom, and the interest income on Basic Account funds attributed to the payment of pensions in excess of the rate assumed by the actuary.

The Inflation Adjustment Account is decreased by refunds to former contributors and transfers to the Basic Account of the capitalized value of supplementary allowances granted. The Basic Account consists of all other assets of the Fund.

Excess interest earnings for the year ended August 31, 1985 of $523,273, ($358,206 in 1984), transferable from the Basic Account to the Inflation Adjustment Account are reflected in the Fund balances. Effective January 1, 1985, inflation adjustment supplements at the rate of 3.8% (5% in 1984) of the basic life time portion of superannuation allowances in force were granted. The capitalized value of these inflation adjustment supplements in 1985 was $414,065, ($402,326 in 1984), which amount was transferred from the Inflation Adjustment Account to the Basic Account.

6. Actuarial Valuation

According to the *Pension (College) Act*, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary upon request by the Superannuation Commissioner.

The most recent valuation was carried out as at August 31, 1981. The valuation indicated an unfunded liability in respect of basic pension benefits of approximately $45,422,000 as of August 31, 1981, compared to $12,290,000 as of August 31, 1976, the date of the previous valuation. The

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1985—*Continued*

6. Actuarial Valuation—*Continued*

increase in the unfunded liability was caused mainly by inadequacies in the statutory contribution rates, combined with growth in the covered membership and actual salary increases greater than those assumed by the Actuary in the previous valuation. Liabilities of the fund are calculated under the "entry age normal" actuarial method, applied on an aggregate basis.

An actuarial valuation as at August 31, 1985 is currently in progress.

COLLEGE PENSION FUND

SCHEDULE 1

LONG-TERM INVESTMENTS HELD AS AT AUGUST 31, 1985

	Par Value $	Book Value $	Market Value $
Government of Canada Guaranty			
Government of Canada	2,067,000	1,918,599	2,205,677
Province of British Columbia Guaranty			
B.C. Hydro and Power Authority	28,939,000	28,650,092	26,521,044
B.C. Railway Company	6,487,000	6,459,886	5,796,160
B.C. School Districts Capital Financing Authority	290,000	289,090	253,550
Peachland Irrigation Improvement District	50,000	50,000	40,000
Province of Ontario Guaranty			
Ontario Hydro	35,000	35,000	29,838
	37,868,000	37,402,667	34,846,269
1984 Comparisons	37,919,000	37,420,728	29,866,709

COLLEGE PENSION FUND

SCHEDULE 2

INVESTMENT INTEREST AND TRANSACTIONS

Comparative Statistics, September 1, 1975 — August 31, 1985

Year Ended August 31	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Net earned rate of the fund[1]	% 8.535	% 8.988	% 9.028	% 9.429	% 10.213	% 12.191	% 13.536	% 11.277	% 10.341	% 10.772
Average rate of return of long-term investments purchased in year	10.410	9.530	9.645	10.064	12.125	—	16.994	12.694	11.410	—
Income from investments[1]	$ 849,777	$ 1,319,250	$ 1,867,737	$ 2,622,542	$ 3,800,316	$ 5,865,290	$ 8,679,157	$ 9,597,167	$ 10,846,059	$ 13,477,995
Long-term investment transactions										
Purchases (Par Value)	3,244,000	7,226,000	4,968,000	6,887,000	9,306,000	—	750,000	4,960,548	1,300,000	—
Securities and Sales (Par Value)	—	20,000	76,000	—	—	—	1,030,000	—	7,260,548	51,000
Net Increase (Decrease)	3,244,000	7,206,000	4,892,000	6,887,000	9,306,000	—	(280,000)	4,960,548	(5,960,548)	(51,000)
Short-term Increase (Decrease)	1,300,000	(1,800,000)	1,839,500	1,300,500	414,648	12,946,023	20,553,977	10,709,003	26,788,797	20,489,227
Fund balance at end of year	12,457,778	17,905,568	24,672,955	33,170,040	44,601,411	59,646,451	78,033,312	99,153,249	120,269,128	142,562,848

[1] Restated for 1981 and subsequent years to include Inflation Adjustment Account, which commenced October 1, 1980.

COLLEGE PENSION FUND

SCHEDULE 3

Comparative Statistics — August 31, 1976 to August 31, 1985

Fiscal Year	Number of Contributors[1]	Contributions			Employee Refunds		Superannuation Allowances			
		Employer	Employee		Number	Amount	Granted During Year	Deaths & Expirations	In Force at End of Year	Amount Paid
			Regular	Voluntary						
		$	$	$		$				$
1976	1,633	1,668,940	1,668,940	11,398	51	89,009	6	—	15	95,567
1977	2,043	2,063,357	2,063,357	10,756	93	146,503	7	—	22	617[1] 148,854
1978	2,326	2,455,294	2,455,294	20,425	79	150,326	9	—	31	13,471[1] 220,757
1979	2,585	3,008,957	3,008,957	10,042	103	188,100	10	—	41	26,971[1] 262,193
1980	2,832	3,489,501	3,489,501	6,457	111	262,612	34	—	75	47,354[1] 462,798
1981	3,065	4,982,197	4,982,197	8,846	174	567,479	34	—	109	75,640[1] 653,679
1982	2,735	5,875,032	5,874,313	3,515	167	658,071	45	1	153	117,618[1] 949,564
1983	3,197	6,449,440	6,453,962	3,140	103	341,346	39	—	192	57,948[2] 1,082,801
1984	3,152	6,453,563	6,453,563	2,640	163	923,789	65	—	257	154,718[2] 1,343,982
1985	3,079	6,257,966	6,254,221	7,423	189	1,436,662	59	—	316	226,478[2] 1,686,831 284,627[2]

[1] Cost of living supplementary allowances.
[2] Inflation Adjustment supplementary allowances, commencing January 1, 1982.
[3] Includes active, inactive, voluntary and fully vested contributors.

COLLEGE PENSION FUND

SCHEDULE 4

INFLATION ADJUSTMENT ACCOUNT STATEMENT OF CHANGES IN ACCOUNT BALANCE FOR THE YEAR ENDED AUGUST 31, 1985

	1985	1984
Account Balance Increased by	$	$
Contributions		
Employee	1,007,667	1,025,780
Employers	1,007,667	1,025,780
Transfers from other funds	—	709
Income from investments	1,040,741	745,852
Transfers from Basic Account (Note 1)	6,287	7,249
Excess interest transferred from Basic Account	523,273	358,206
	3,585,635	3,163,576
Account Balance Decreased by		
Investment management fees	5,223	—
Refunds	178,018	106,069
Transfers to other funds	8,097	—
Capitalized value of supplementary allowances granted	414,065	402,326
	605,403	508,395
Net Increase in Account Balance	2,980,232	2,655,181
Account Balance at Beginning of Year	9,469,829	6,814,648
Account Balance at End of Year	12,450,061	9,469,829

Note 1 — Total employee and employer arrears payments are credited to the Basic Account when received. When arrears are fully paid, the employee and employer portions are then transferred to the Inflation Adjustment Account.

COLLEGE PENSION FUND

SCHEDULE 5

Normal Allowances Granted September 1, 1984 to August 31, 1985

SUBDIVIDED BY YEARS OF SERVICE AND VALUE OF ALLOWANCE

Years of Service	Number of Allowances Granted	Average Salary During Last Five Years	Average Annual Allowance on Single Life Plan	Average Value of Allowance	Average Employee Share	Average Employer Share
		$	$	$	$	$
Under 10 years	34	34,241	3,805	41,598	15,340	26,258
10–14	5	37,363	7,151	73,259	31,450	41,809
15–19	8	39,377	10,339	104,752	42,862	61,890
AVERAGE OF NORMAL ALLOWANCES GRANTED DURING YEAR:						
	62 (Age)	35,447	5,273	55,716	21,738	33,978
TOTAL VALUE OF NORMAL ALLOWANCES GRANTED DURING YEAR:						
	47	1,666,020	247,852	2,618,633	1,021,700	1,596,933

SUBDIVIDED BY YEARS OF SERVICE AND AGE AT RETIREMENT

Years of Service	Age at Retirement											Total	Per Cent
	55	56	57	58	59	60	61	62	63	64	65		
Under 10 years	—	—	1	1	4	4	6	3	3	1	11	34	72
10–14	—	1	—	1	—	—	—	—	—	—	3	5	11
15–19	—	—	—	—	1	—	1	1	—	1	4	8	17
Total	—	1	1	2	5	4	7	4	3	2	18	47	
Per cent	—	2	2	4	11	9	15	9	7	4	37		100

Allowances Other Than Normal Granted September 1, 1984 to August 31, 1985

Number of Allowances Granted	Death	Disability	Deferred
12	1	—	11

COLLEGE PENSION FUND

SCHEDULE 6

Approved and Reciprocal Employers as at August 31, 1985

APPROVED EMPLOYERS

Section 12 (6) Provides for the method of determining the highest average salary of a contributor who within three years of making his last contribution to the Fund enters the service of one or more of the following employers and becomes entitled to a pension —

	Effective Date
Government of Canada	July 1, 1973
Any employer to whom the *Pension (Public Service) Act* applies	July 1, 1973
Any employer to whom the *Pension (Teachers) Act* applies	July 1, 1973
University of British Columbia	July 1, 1973
University of Victoria	July 1, 1973
Simon Fraser University	July 1, 1973
Ontario Teachers' Superannuation Plan	January 26, 1982
Plumbing and Pipefitting Workers Local 170 Pension Plan	April 20, 1982

NEGOTIATED AGREEMENTS WITH APPROVED EMPLOYER

Section 12 (3) provides for the Superannuation Commissioner to enter into an agreement to provide a superannuation allowance or a refund to an employee who tranfers to or from the service of the following approved employers —

Government of Canada	June 22, 1973
Ontario Teachers' Superannuation Plan	September 22, 1983

RECIPROCAL EMPLOYERS

Section 13 provides for the method of determining pensionable service and highest average salary together with pro-rata sharing of the present value of the allowance and transfer of funds in respect of an employee who within three years of termination of his service transfers to or from the service of the following reciprocal employers —

An employer under the *Pension (Public Service) Act*	July 1, 1973
An employer under the *Pension (Teachers) Act*	July 1, 1973
An employer under the *Pension (Municipal) Act*	July 1, 1973
Workers' Compensation Board	June 3, 1974

COLLEGE PENSION FUND

SCHEDULE 7

Approved Group Disability Salary Continuance Plans as at August 31, 1985

APPROVED EMPLOYERS

Section 1 of the *Pension (College) Act* provides for the approval of a group disability salary continuance plan by the Provincial Secretary. Section 11(2) provides that any period during which a contributor receives benefits from an approved plan, is treated as a period of pensionable service for the purposes of the *Pension (College) Act* in respect of the following employers —

	Effective Date
Camosun College	March 27, 1975
Capilano College	June 4, 1979
Cariboo College	April 2, 1984
Douglas College	July 30, 1979
East Kootenay Community College	July 9, 1980
Fraser Valley College	February 17, 1982
Justice Institute of B.C.	August 3, 1979
Kwantlen College	March 24, 1983
Malaspina College	August 3, 1982
College of New Caledonia	April 30, 1979
Northern Lights College	June 8, 1979
North Island College	August 6, 1981
Northwest Community College	October 29, 1979
Okanagan College	February 4, 1977
Open Learning Institute	December 18, 1979
Pacific Marine Training Institute	July 31, 1985
Pacific Vocational Institute	April 9, 1979
Selkirk College	April 9, 1984
Vancouver Community College	June 6, 1979

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